

**BALLARD  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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**BALLARD COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2003 Election)

Andrew Thom	President	2004
Jean Saveraid	Vice President	2003
Gene Rouse		2005
Becky Long		2005
Steven Gluck		2004

(After September, 2003 Election)

Gene Rouse	President	2005
Jean Saveraid	Vice President	2006
Andrew Thom		2004
Becky Long		2005
Steven Gluck		2004

**SCHOOL OFFICIALS**

Michael Krumm	Superintendent
Janice Halverson	District Secretary/ Treasurer

## Independent Auditor's Report

To The Board of Education of the  
Ballard Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Ballard Community School District, State Center, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Ballard Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 13 to the financial statements, during the year ended June 30, 2004, Ballard Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 21, 2004 on our consideration of Ballard Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ballard Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report. The financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

September 21, 2004

## **BALLARD COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Ballard Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$8,317,930 in fiscal 2003 to \$8,739,317 in fiscal 2004, while General Fund expenditures increased from \$8,635,019 in fiscal year 2003 to \$8,958,186 in fiscal 2004.
- The increase in General Fund revenues was attributable to an increase in tuition and state foundation aid. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and increased Special Education program costs. The General Fund balance decreased as the funding for District costs due to increased enrollment and special education services trails the actual expenses by a full year.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in a decrease in interest earnings in the General Fund.
- The School Infrastructure Local Option Sales Tax passed in Story County in 2003. The District began receiving these funds in September, 2003. These monies will be used for improvements to district facilities. This tax will allow the District to update its facilities for an expanding enrollment without raising property taxes.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*Ballard Community School District*

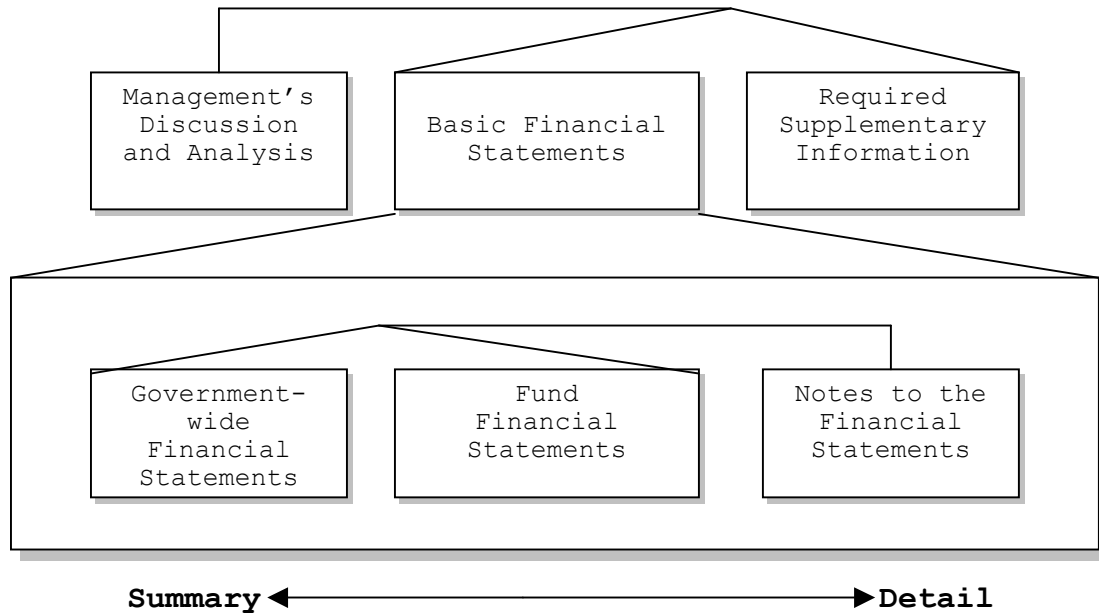


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Reconciliations between the district-wide financial statements and the fund financial statements follow the fund financial statements.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- *Agency Funds* - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf other Districts and certain revenues collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-04</b>
	\$	\$	\$	\$	\$	\$	%
Current assets	7,305	6,750	71	82	7,376	6,832	7.38%
Capital assets	8,280	6,789	35	32	8,315	6,821	17.97%
<b>Total assets</b>	<b>15,585</b>	<b>13,539</b>	<b>106</b>	<b>114</b>	<b>15,691</b>	<b>13,653</b>	<b>12.99%</b>
Current liabilities	5,697	5,802	11	18	5,708	5,820	-1.96%
Non-current liabilities	6,467	4,511	-	-	6,467	4,511	30.25%
<b>Total liabilities</b>	<b>12,164</b>	<b>10,313</b>	<b>11</b>	<b>18</b>	<b>12,175</b>	<b>10,331</b>	<b>15.15%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	2,358	2,658	35	32	2,393	2,690	-12.41%
Restricted	1,335	510	-	-	1,335	510	61.80%
Unrestricted	(272)	58	60	64	(212)	122	-273.77%
<b>Total net assets</b>	<b>3,421</b>	<b>3,226</b>	<b>95</b>	<b>96</b>	<b>3,516</b>	<b>3,322</b>	<b>5.52%</b>

The District's combined net assets were greater at June 30, 2004 than June 30, 2003. The increase occurred as a combined result of increased miscellaneous revenue from all sources and decreases in discretionary spending.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	644	394	1,038
Operating grants, contributions and restricted interest	1,230	133	1,363
General revenues:			
Property tax	3,469	-	3,469
Local option sales tax	782	-	782
Unrestricted state grants	4,594	-	4,594
Unrestricted investment earnings	1	-	1
Other	24	-	24
Total revenues	<u>10,744</u>	<u>527</u>	<u>11,271</u>
Program expenses:			
Governmental activities:			
Instruction	6,191	-	6,191
Support Services	2,890	-	2,890
Non-instructional programs	7	528	535
Other expenses	1,555	-	1,555
Total expenses	<u>10,643</u>	<u>528</u>	<u>11,171</u>
Change in net assets	<u>101</u>	<u>(1)</u>	<u>100</u>

Property tax and unrestricted state grants account for 71% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 81% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$10,743,461 and expenses were \$10,642,925.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	6,191	4,700
Support Services	2,890	2,873
Non-instructional programs	7	7
Other expenses	<u>1,555</u>	<u>1,190</u>
Totals	<u>10,643</u>	<u>8,770</u>

- The cost financed by users of the District's programs was \$643,638.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$870,654.
- The net cost of governmental activities was financed with \$3,293,882 in property tax, and \$4,594,349 in state foundation aid.

## Business-Type Activities

Revenues of the District's business-type activities were \$527,359 and expenses were \$528,215. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District spent over \$10,000 on equipment.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Ballard Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 3,421,015, a four percent increase over last year's ending fund balances of \$3,290,479. The primary reason was the use of current revenues to acquire capital assets that will continue to serve the District over an extended period of time.

## Governmental Fund Highlights

- The maintaining of funds was made even more difficult with the state completely eliminating the Phase III money and the technology money.
- The District continues to expand its facilities to meet the expanding enrollment primarily through the use of local option sales tax revenues.
- The District's resident enrollment and open enrollment has continued to increase. This will allow the District to continue to grow, however, funding follows expenditures by a full year in many cases.

## **Proprietary Fund Highlights**

The School Nutrition fund maintained its balance during the year. The District was able to purchase over \$10,000 in equipment during the year. The District has continued its agreement with Taher Inc. to manage the nutrition program.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

### **Legal Budgetary Highlights**

The District's receipts were over \$417,000 less than budgeted receipts, a variance of less than 4%. The most significant variance resulted from the District receiving less miscellaneous aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District amended its budget during the year due to additional building costs.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$8.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 22% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$336,063.

The original cost of the District's capital assets was \$13,741,548. Governmental funds account for \$13,659,710, with the remainder of \$81,838 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	\$	\$	\$	\$	
Land	603	183	-	-	603	183	229.51%
Site improvements	332	282	-	-	332	282	17.73%
Buildings	6,477	6,011	-	-	6,477	6,011	7.75%
Furniture and equipment	263	313	-	-	263	313	-15.97%
Construction in progress	605	-	32	35	637	35	1720.00%
<b>Totals</b>	<b>8,280</b>	<b>6,789</b>	<b>32</b>	<b>35</b>	<b>8,312</b>	<b>6,824</b>	<b>21.81%</b>

### Long-Term Debt

At June 30, 2004, the District had over \$6,467,000 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 43% from last year (See Figure A-7). The increase was due to the issuance of over \$2.3 million in revenue bonds. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

	<b>Total</b>		<b>Total</b>
	<b>District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	
General obligation bonds	2,770	3,090	-10.36%
Bus loan	-	8	-100.00%
Early retirement	545	380	43.42%
Capital loan notes	107	218	-50.92%
Revenue bonds	3,045	815	273.62%
<b>Total</b>	<b>6,467</b>	<b>4,511</b>	<b>43.36%</b>

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed in Story County and money began to be received by the District in July of 2003. This money is being used for various building/remodeling projects throughout the District.
- The District has experienced increasing enrollment the past several years. This has caused short term cash flow problems as funding follows enrollment, not precedes it.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This will force the District to make cuts, or use some of the cash on hand. Future state aid cuts have also been discussed. Cuts made during the fiscal year negatively impact the District's balances as adequate expense reductions are not possible.

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael Krumm, Superintendent, Ballard Community School District, 509 N Main, PO Box 307, Huxley, IA 50124.

## Basic Financial Statements



## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	2,431,604	48,508	2,480,112
ISCAP investments	1,272,085	-	1,272,085
Receivables:			
Property tax			
Current year	38,872	-	38,872
Succeeding year	3,383,990	-	3,383,990
Due from other governments	98,409	10,275	108,684
Other receivables	17,013	117	17,130
ISCAP accrued interest receivable	2,465	-	2,465
Inventories	-	12,465	12,465
Prepaid expenses	60,420	-	60,420
Capital assets, net of accumulated depreciation (note 3)	8,280,134	34,642	8,314,776
<b>Total assets</b>	<b>15,584,992</b>	<b>106,007</b>	<b>15,690,999</b>
<b>Liabilities</b>			
Accounts payable	335,144	11,384	346,528
Accrued payroll and benefits	622,997	-	622,997
Accrued interest payable	31,280	-	31,280
Retainage payable	43,631	-	43,631
ISCAP warrants payable	1,276,000	-	1,276,000
ISCAP accrued interest payable	3,737	-	3,737
Deferred revenue:			
Succeeding year property tax	3,383,990	-	3,383,990
Long term liabilities:			
Portion due within one year:			
Early retirement	152,474	-	152,474
General obligation bonds	340,000	-	340,000
Capital loan notes	107,296	-	107,296
Portion due after one year:			
Early retirement	392,428	-	392,428
General obligation bonds	2,430,000	-	2,430,000
Revenue bonds	3,045,000	-	3,045,000
<b>Total liabilities</b>	<b>12,163,977</b>	<b>11,384</b>	<b>12,175,361</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,357,838	34,642	2,392,480
Restricted for:			
Physical plant and equipment levy	53,705	-	53,705
Debt service	55,600	-	55,600
Capital projects	1,226,182	-	1,226,182
Unrestricted	(272,310)	59,981	(212,329)
<b>Total net assets</b>	<b>3,421,015</b>	<b>94,623</b>	<b>3,515,638</b>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

		Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Functions/Programs							
Governmental activities:							
Instruction:							
Regular instruction	4,132,314	521,805	379,085	-	(3,231,424)	-	(3,231,424)
Special instruction	1,208,884	115,717	151,802	-	(941,365)	-	(941,365)
Other instruction	849,733	-	322,633	-	(527,100)	-	(527,100)
	<u>6,190,931</u>	<u>637,522</u>	<u>853,520</u>	<u>-</u>	<u>(4,699,889)</u>	<u>-</u>	<u>(4,699,889)</u>
Support services:							
Student services	373,767	-	4,080	-	(369,687)	-	(369,687)
Instructional staff services	378,918	-	-	-	(378,918)	-	(378,918)
Administration services	833,022	-	-	-	(833,022)	-	(833,022)
Operation and maintenance of plant services	890,347	-	6,143	-	(884,204)	-	(884,204)
Transportation services	410,222	6,116	1,481	-	(402,625)	-	(402,625)
Central support services	4,098	-	-	-	(4,098)	-	(4,098)
	<u>2,890,374</u>	<u>6,116</u>	<u>11,704</u>	<u>-</u>	<u>(2,872,554)</u>	<u>-</u>	<u>(2,872,554)</u>
Non-instructional programs	<u>6,528</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,528)</u>	<u>-</u>	<u>(6,528)</u>
Other expenditures:							
Facilities acquisition	732,120	-	23,762	-	(708,358)	-	(708,358)
Interest on long-term debt	199,211	-	3,649	-	(195,562)	-	(195,562)
Long-term debt services	650	-	-	-	(650)	-	(650)
AEA flowthrough	337,192	-	337,192	-	-	-	-
Depreciation (unallocated)*	285,919	-	-	-	(285,919)	-	(285,919)
	<u>1,555,092</u>	<u>-</u>	<u>364,603</u>	<u>-</u>	<u>(1,190,489)</u>	<u>-</u>	<u>(1,190,489)</u>
Total governmental activities	10,642,925	643,638	1,229,827	-	(8,769,460)	-	(8,769,460)

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues						
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Business-Type activities:							
Non-instructional programs							
Nutrition services	528,215	393,727	133,632	-	-	(856)	(856)
Total	<u>11,171,140</u>	<u>1,037,365</u>	<u>1,363,459</u>	<u>-</u>	<u>(8,769,460)</u>	<u>(856)</u>	<u>(8,770,316)</u>
General revenues:							
Property tax levied for:							
General purposes					2,584,231	-	2,584,231
Management Fund					194,687	-	194,687
Capital outlay					226,108	-	226,108
Debt service					464,075	-	464,075
School Infrastructure Local							
Option Sales Tax					781,950	-	781,950
Unrestricted state grants					4,594,349	-	4,594,349
Unrestricted investment earnings					820	-	820
Other					<u>23,776</u>	<u>-</u>	<u>23,776</u>
Total general revenue					<u>8,869,996</u>	<u>-</u>	<u>8,869,996</u>
Change in net assets					100,536	(856)	99,680
Net assets beginning of year					<u>3,320,479</u>	<u>95,479</u>	<u>3,415,958</u>
Net assets end of year					<u>3,421,015</u>	<u>94,623</u>	<u>3,515,638</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	641,969	50,264	1,517,206	222,165	2,431,604
ISCAP investments	1,272,085	-	-	-	1,272,085
Receivables:					
Property tax:					
Current year	28,891	5,336	-	4,645	38,872
Succeeding year	2,525,771	472,268	-	385,951	3,383,990
Due from other governments	26,101	-	72,308	-	98,409
Other receivables	13,678	-	-	3,335	17,013
ISCAP accrued interest	2,465	-	-	-	2,465
Prepaid expenses	60,420	-	-	-	60,420
<b>Total assets</b>	<u>4,571,380</u>	<u>527,868</u>	<u>1,589,514</u>	<u>616,096</u>	<u>7,304,858</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	24,116	-	311,028	-	335,144
Accrued payroll and benefits	609,288	-	8,673	5,036	622,997
Retainage payable	-	-	43,631	-	43,631
ISCAP warrants payable	1,276,000	-	-	-	1,276,000
ISCAP accrued interest payable	3,737	-	-	-	3,737
Deferred revenue:					
Succeeding year property tax	2,525,771	472,268	-	385,951	3,383,990
Total liabilities	<u>4,438,912</u>	<u>472,268</u>	<u>363,332</u>	<u>390,987</u>	<u>5,665,499</u>
Fund balances:					
Reserved for:					
Debt service	-	55,600	-	-	55,600
Capital projects	-	-	1,226,182	-	1,226,182
Prepaid expenses	60,420	-	-	-	60,420
Unreserved	72,048	-	-	225,109	297,157
Total fund balances	<u>132,468</u>	<u>55,600</u>	<u>1,226,182</u>	<u>225,109</u>	<u>1,639,359</u>
<b>Total liabilities and fund balances</b>	<u>4,571,380</u>	<u>527,868</u>	<u>1,589,514</u>	<u>616,096</u>	<u>7,304,858</u>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>			\$ 1,639,359
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			8,280,134
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.			(31,280)
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
Capital loan notes	\$ (107,296)		
Early retirement	(544,902)		
General obligation bonds	(2,770,000)		
Revenue bonds	<u>(3,045,000)</u>	<u>(6,467,198)</u>	
<b>Net assets of governmental activities (Exhibit A)</b>			<u>\$ 3,421,015</u>

## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2004

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,584,231	464,075	781,950	420,795	4,251,051
Tuition	626,000	-	-	-	626,000
Other	66,065	2,654	16,869	320,900	406,488
State sources	5,291,784	995	-	987	5,293,766
Federal sources	171,237	-	-	-	171,237
Total revenues	8,739,317	467,724	798,819	742,682	10,748,542
Expenditures:					
Instruction:					
Regular instruction	4,176,556	-	-	85,612	4,262,168
Special instruction	1,208,884	-	-	-	1,208,884
Other instruction	548,849	-	-	300,884	849,733
	5,934,289	-	-	386,496	6,320,785
Support services:					
Student services	372,579	-	-	1,188	373,767
Instructional staff services	373,144	-	-	5,774	378,918
Administration services	773,155	-	-	59,867	833,022
Operation and maintenance of plant services	812,876	-	-	77,471	890,347
Transportation services	344,325	-	-	23,011	367,336
Central support services	4,098	-	-	-	4,098
	2,680,177	-	-	167,311	2,847,488
Non-instructional programs:					
Community service and education	6,528	-	-	-	6,528
Other expenditures:					
Facilities acquisition and construction services	-	-	2,131,283	-	2,131,283
Principal on long-term debt	-	438,539	-	-	438,539
Interest on long-term debt	-	179,069	-	-	179,069
Long-term debt services	-	650	-	-	650
AEA flowthrough	337,192	-	-	-	337,192
	337,192	618,258	2,131,283	-	3,086,733
Total expenditures	8,958,186	618,258	2,131,283	553,807	12,261,534

BALLARD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2004

	General	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (Deficiency) of revenues over (under) expenditures	(218,869)	(150,534)	(1,332,464)	188,875	(1,512,992)
Other financing sources:					
Sale of equipment and materials	649	-	-	-	649
Revenue bonds issued			2,207,700		2,207,700
Operating transfers in		152,405	105,208		257,613
Operating transfers out	(9,995)	-	(127,045)	(120,573)	(257,613)
Total other financing sources	(9,346)	152,405	2,185,863	(120,573)	2,208,349
Net change in fund balances	(228,215)	1,871	853,399	68,302	695,357
Fund balances beginning of year	360,683	53,729	372,783	156,807	944,002
Fund balances end of year	132,468	55,600	1,226,182	225,109	1,639,359

See notes to financial statements.

**BALLARD COMMUNITY SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 695,357

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,399,163	
Depreciation expense	<u>(328,805)</u>	1,070,358

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(2,230,000)	
Repaid	<u>438,538</u>	(1,791,462)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due.

(3,572)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>129,855</u>
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**Change in net assets of governmental activities (Exhibit B)** \$ 100,536



## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenses and Changes in Net Assets

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>393,727</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	166,026
Benefits	39,787
Services	49,342
Supplies	261,859
Property	3,943
Depreciation	<u>7,258</u>
Total operating expenses	<u>528,215</u>
Operating (loss)	<u>(134,488)</u>
Non-operating revenues:	
Interest on investments	268
State sources	6,225
Federal sources	<u>127,139</u>
	<u>133,632</u>
Change in net assets	(856)
Net assets beginning of year	<u>95,479</u>
Net assets end of year	<u><u>94,623</u></u>

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of services	393,610
Cash payments to employees for services	(208,176)
Cash payments to suppliers for goods or services	(286,268)
Net cash provided by (used in) operating activities	(100,834)
Cash flows from non-capital financing activities:	
State grants received	6,225
Federal grants received	88,801
Net cash provided by non-capital financing activities	95,026
Cash flows from capital financing activities:	
Acquisition of capital assets	(9,724)
Cash flows from investing activities:	
Interest on investments	268
Net increase (decrease) in cash and cash equivalents	(15,264)
Cash and cash equivalents beginning of year	63,772
Cash and cash equivalents end of year	48,508
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating income (loss)	(134,488)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	7,258
Commodities used	28,924
(Increase) in other receivables	(117)
Decrease in inventory	4,456
(Decrease) in accounts payable	(6,867)
	(100,834)
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	48,508

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$28,924.

See notes to financial statements.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Statement of Fiduciary Net Assets

## Fiduciary Funds

Year ended June 30, 2004

	<u>Agency</u>
	\$
<b>Assets</b>	
Cash	<u>3,054</u>
<b>Total assets</b>	<u>3,054</u>
<b>Liabilities</b>	
Other payables	<u>3,054</u>
<b>Total liabilities</b>	<u>3,054</u>
<b>Net assets</b>	<u><u>-</u></u>

See notes to financial statements.

# **BALLARD COMMUNITY SCHOOL DISTRICT**

## **Notes to Financial Statements**

**June 30, 2004**

### **(1) Summary of Significant Accounting Policies**

The Ballard Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Huxley, Slater, Cambridge and Kelley, Iowa, and agricultural area in Story, Polk and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity**

For financial reporting purposes, Ballard Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Ballard Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

#### **B. Basis of Presentation**

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary fund. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>182,749</u>	<u>420,600</u>	<u>-</u>	<u>603,349</u>
Capital assets being depreciated:				
Buildings	9,307,637	693,831	-	10,001,468
Improvements other than buildings	458,902	79,832	-	538,734
Furniture and Equipment	1,890,659	20,500	-	1,911,159
Construction in progress	-	605,000	-	605,000
Total capital assets being depreciated	<u>11,657,198</u>	<u>1,399,163</u>	<u>-</u>	<u>13,056,361</u>
Less accumulated depreciation for:				
Buildings	3,296,454	227,211	-	3,523,665
Improvements other than buildings	175,887	31,431	-	207,318
Furniture and Equipment	1,578,430	70,163	-	1,648,593
Total accumulated depreciation	<u>5,050,771</u>	<u>328,805</u>	<u>-</u>	<u>5,379,576</u>
Total capital assets being depreciated, net	<u>6,606,427</u>	<u>1,070,358</u>	<u>-</u>	<u>7,676,785</u>
Governmental activities, capital assets, net	<u>6,789,176</u>	<u>1,490,958</u>	<u>-</u>	<u>8,280,134</u>



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	72,114	9,724	-	81,838
Less accumulated depreciation	<u>39,938</u>	<u>7,258</u>	-	<u>47,196</u>
Business type activities capital assets, net	<u>32,176</u>	<u>2,466</u>	-	<u>34,642</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

42,886

285,919

328,805

Business Type activities:

Food service operations

7,258

#### (4) Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate %	April, 2002 Refinancing		January 1, 1998 Refinancing			
		Principal \$	Interest \$	Interest Rate %	Principal \$	Interest \$	Total \$
2005	3.60	130,000	9,620	4.65	210,000	122,647	472,267
2006	3.80	130,000	4,940	4.70	215,000	112,883	462,823
2007	-	-	-	4.75	375,000	102,777	477,777
2008	-	-	-	4.85	390,000	84,965	474,965
2009	-	-	-	4.90	415,000	66,050	481,050
2010	-	-	-	5.00	440,000	45,715	485,715
2011	-	-	-	5.10	465,000	23,715	488,715
Total		<u>260,000</u>	<u>14,560</u>		<u>2,510,000</u>	<u>558,752</u>	<u>3,343,312</u>

#### (5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Bus Loan \$	Early Retirement \$	General Obligation Bonds \$	Capital Loan Notes \$	Revenue Bonds \$	Total \$
Balance beginning of year	8,099	379,822	3,090,000	217,735	815,000	4,510,656
Additions	-	294,935	-	-	2,230,000	2,524,935
Reductions	<u>8,099</u>	<u>129,855</u>	<u>320,000</u>	<u>110,439</u>	-	<u>568,393</u>
Balance end of year	<u>-</u>	<u>544,902</u>	<u>2,770,000</u>	<u>107,296</u>	<u>3,045,000</u>	<u>6,467,198</u>

**(6) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards, administered by Norwest Bank Iowa, N.A, and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Norwest maintains ISCAP accounts for each participating entity and provides monthly statements regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

<u>Series</u>	<u>Date(s) Funds are Available</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2003-04A	6/20/03	6/18/04	\$ -	-	-	-
2003-04B	1/30/04	1/28/05	453,065	2,465	450,000	3,737
2004-05A	6/30/04	6/30/05	819,020	-	826,000	-
Total			<u>\$1,272,085</u>	<u>2,465</u>	<u>1,276,000</u>	<u>3,737</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

There was no ISCAP advance activity during the year ending June 30, 2004.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2003-04A	2.00%	1.050%
2003-04B	2.00%	1.310%
2004-05A	3.00%	2.463%

The net interest earned or due from the series is recorded as a revenue or a expenditure at maturity.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$309,193, \$297,336, and \$281,604 respectively, equal to the required contributions for each year.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$337,192 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Early Retirement**

The District offered an early retirement program to all employees who were employed at least 20 hours per week on a regular contract during the 2002-2003 contract year, were 55 years of age as of June 30, 2003 and had been employed by the District for at least seven consecutive years. Early retirement benefits are comprised of forty percent of the 2002-2003 regular contract salary plus medical insurance premiums not to exceed the June 30, 2003 premium amount currently paid by the District on the employee's behalf. Early retirement benefits paid during the year ended June 30, 2004 totaled \$129,855. A long-term liability has been recorded in the Statement of Net Assets representing the District's commitment to fund early retirement.

**(10) Loans Payable**

During the year ended June 30, 1997 the District borrowed \$594,207 of capital loan notes for remodeling and equipment. The notes are to be repaid over a ten year period from proceeds of the District's voted Physical Plant and Equipment Levy. The interest rate for the entire balance is 5.55%.

During the year ended June 30, 2004, the District borrowed \$57,000 for the purchase of a school bus. The note is to be repaid over a four year period from proceeds of the District's voted Physical Plant and Equipment Levy. The interest rate for the entire loan is 3.90%. Advance payments have been made and the note was paid off in November, 2003.

**(11) Risk Management**

Ballard Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

Each member's contributions to ISEBA funds current operations and provided capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$679,732.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Ballard Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(12) Commitments**

The District let bids totaling \$56,385 for the purchase of computers. Work on this project was undertaken and completed after June 30, 2004.

The District is in the process of various improvements at all building sites. Details as of June 30, 2004 are as follows:

	<u>Lockers</u> \$	<u>Parking Lot</u> \$	<u>East/West Buildings</u> \$
Amount of contracts	57,500	544,900	1,043,531
Amount of completed contract	46,900	75,600	750,127
Amounts paid	0	-	517,968
Amounts currently payable	44,555	71,820	194,653
Amounts retained	2,345	3,780	37,506
Amount yet to be completed	10,600	469,300	293,404

## **(13) Accounting Change**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board (GASB) Statement Number 38, Certain Financial Statement Note Disclosure, requires certain disclosures be made in the notes to the financial statements concurrent with the implementation of Statement Number 34.

The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund				Total
	General	Debt Service	Capital Projects	Nonmajor Special Revenues	
Net assets, June 30, 2003, as previously reported	\$360,683	53,729	372,783	156,807	944,002
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$360,683</u>	<u>53,729</u>	<u>372,783</u>	<u>156,807</u>	944,002
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$5,050,771					6,789,176
Accrued interest on long-term debt					(14,778)
Long-Term Liabilities:					
General obligation bonds				(3,090,000)	
Bus Loan				(8,099)	
Early retirement				(379,822)	
Revenue bonds				(815,000)	
Capital loan notes				<u>(105,000)</u>	<u>(4,397,921)</u>
Net assets, July 1, 2003, as restated					<u>\$ 3,320,479</u>

**(14) Revenue Bond Anticipation Project Notes**

Details of the District's June 30, 2004 Local Option Sales and Services Tax Revenue Bond Anticipation Project Notes are as follows:

Year Ending June 30,	March, 2003 Issue			
	Interest	Interest	Principal	Total
	Rate %			
2005	2.60	21,190	-	21,190
2006	2.60	<u>21,190</u>	<u>815,000</u>	<u>836,190</u>
Total		<u>42,380</u>	<u>815,000</u>	<u>857,380</u>

Year Ending June 30,	March, 2004 Issue			
	Interest	Interest	Principal	Total
	Rate %			
2005	2.95	71,998	-	71,998
2006	2.95	65,785	-	65,785
2007	2.95	65,785	-	65,785
2008	2.95	<u>65,785</u>	<u>2,230,000</u>	<u>2,295,785</u>
Total		<u>269,353</u>	<u>2,230,000</u>	<u>2,499,353</u>

The debt and will be repaid with proceeds of Polk, Boone and Story County local option sales tax for school infrastructure.

## Required Supplementary Information

**BALLARD COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	5,206,167	393,878	5,600,045	5,866,036	5,866,036	(265,991)
State sources	5,293,766	6,225	5,299,991	5,491,154	5,491,154	(191,163)
Federal sources	171,237	88,801	260,038	220,000	220,000	40,038
Total receipts	10,671,170	488,904	11,160,074	11,577,190	11,577,190	(417,116)
Disbursements:						
Instruction	6,108,964	-	6,108,964	6,181,500	6,181,500	72,536
Support services	2,847,488	-	2,847,488	3,037,500	3,037,500	190,012
Non-instructional programs	6,528	494,444	500,972	640,000	640,000	139,028
Other expenditures	3,086,733	-	3,086,733	1,872,916	3,500,000	413,267
Total disbursements	12,049,713	494,444	12,544,157	11,731,916	13,359,000	814,843
Excess (deficiency) of receipts over (under) disbursements	(1,378,543)	(5,540)	(1,384,083)	(154,726)	(1,781,810)	397,727
Other financing sources (uses)	2,208,349	-	2,208,349	(100)	(100)	2,208,449
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	829,806	(5,540)	824,266	(154,826)	(1,781,910)	2,606,176
Balance beginning of year	1,601,798	63,772	1,665,570	1,008,204	1,008,204	657,366
Balance end of year	2,431,604	58,232	2,489,836	853,378	(773,706)	3,263,542

See accompanying independent auditor's report.

**BALLARD COMMUNITY SCHOOL DISTRICT**

## Budgetary Comparison Schedule - Budget to GAAP Reconciliation

## Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	10,671,170	77,372	10,748,542
Expenditures	12,049,713	211,821	12,261,534
Net	(1,378,543)	(134,449)	(1,512,992)
Other financing sources (uses)	2,208,349	-	2,208,349
Beginning fund balances	1,601,798	(657,796)	944,002
Ending fund balances	<u>2,431,604</u>	<u>(792,245)</u>	<u>1,639,359</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	488,904	38,455	527,359
Expenditures	504,168	24,047	528,215
Net	(15,264)	14,408	(856)
Beginning fund balances	63,772	31,707	95,479
Ending fund balances	<u>48,508</u>	<u>46,115</u>	<u>94,623</u>

See accompanying independent auditor's report.



**Ballard COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis of accounting. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functions expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

The District did not exceed the amounts budgeted in any of the four functions.

## Other Supplementary Information

## BALLARD COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	79,571	91,489	51,105	222,165
Property tax receivable:				
Current year	2,176	-	2,469	4,645
Succeeding year	180,000	-	205,951	385,951
Other receivables	3,204	-	131	3,335
<b>Total assets</b>	<u>264,951</u>	<u>91,489</u>	<u>259,656</u>	<u>616,096</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accrued payroll and benefits	-	5,036	-	5,036
Deferred revenue:				
Succeeding year property tax	180,000	-	205,951	385,951
	<u>180,000</u>	<u>5,036</u>	<u>205,951</u>	<u>390,987</u>
Fund equity:				
Unreserved, undesignated fund balance	84,951	86,453	53,705	225,109
	<u>84,951</u>	<u>86,453</u>	<u>53,705</u>	<u>225,109</u>
<b>Total liabilities and fund equity</b>	<u>264,951</u>	<u>91,489</u>	<u>259,656</u>	<u>616,096</u>

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

## Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	194,687	-	226,108	420,795
Other	5,642	308,851	6,407	320,900
State sources	501	-	486	987
Total revenues	<u>200,830</u>	<u>308,851</u>	<u>233,001</u>	<u>742,682</u>
Expenditures:				
Instruction:				
Regular instruction	85,612	-	-	85,612
Co-curricular instruction	-	300,884	-	300,884
Support services:				
Student support services	1,188	-	-	1,188
Instructional staff support	5,774	-	-	5,774
Administration services	31,745	-	28,122	59,867
Plant operation and maintenance	46,035	-	31,436	77,471
Student transportation	23,011	-	-	23,011
Total expenditures	<u>193,365</u>	<u>300,884</u>	<u>59,558</u>	<u>553,807</u>
Excess of revenues over expenditures	7,465	7,967	173,443	188,875
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(120,573)</u>	<u>(120,573)</u>
Excess of revenues over expenditures and other financing uses	7,465	7,967	52,870	68,302
Fund balances beginning of year, as restated	<u>77,486</u>	<u>78,486</u>	<u>835</u>	<u>156,807</u>
Fund balances end of year	<u>84,951</u>	<u>86,453</u>	<u>53,705</u>	<u>225,109</u>

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Drama	1,723	3,635	2,742	2,616
Speech	3,228	622	2,510	1,340
Vocal Music	4,048	71,077	75,056	69
Elementary Vocal	2,068	747	1,000	1,815
Instrumental Music	11,525	10,350	7,679	14,196
Music Account	(27)	6,631	7,573	(969)
Elementary Band	2,749	2,664	658	4,755
Drill Team	1,244	6,512	6,368	1,388
Yearbook	5,223	10,573	9,617	6,179
Elementary Activities	5,854	7,342	10,194	3,002
Gym Shoe Account	85	-	-	85
Jr/Sr High Activities	5,135	6,339	9,470	2,004
Pep Club	3,936	9,559	10,071	3,424
Spanish Club	3,879	-	-	3,879
Ballard Shop Inc	426	-	-	426
Junior High Student Council	1,429	54	309	1,174
Senior High Student Council	2,646	3,426	4,636	1,436
National Honor Society	3,327	6,919	6,933	3,313
Conflict Managers	560	636	739	457
East Elementary Student Council	320	1,977	1,943	354
West Elementary Student Council	1,992	3,338	3,247	2,083
Class of 2008	60	90	30	120
Class of 2009	-	95	5	90
Class of 2003	680	-	680	-
Class of 2004	1,275	1,259	2,281	253
Class of 2005	106	11,553	9,740	1,919
Class of 2006	212	491	547	156
Class of 2007	172	96	-	268
	<u>63,875</u>	<u>165,985</u>	<u>174,028</u>	<u>55,832</u>

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Athletic Director	23,400	37,303	25,110	35,593
Boys Basketball	730	7,775	8,505	-
Football	(2,202)	15,626	13,424	-
Soccer	(3,246)	3,246	-	-
Baseball	(7,162)	7,110	-	(52)
Boys Track	(1,208)	6,320	5,112	-
Boys Tennis	(719)	950	231	-
Boys Golf	(785)	785	-	-
Wrestling	(3,090)	4,505	1,415	-
Girls Basketball	(1,917)	4,850	2,933	-
Volleyball	(295)	6,453	6,158	-
Girls Soccer	(2,216)	2,216	-	-
Girls Softball	(2,281)	10,915	9,155	(521)
Girls Track	1,858	8,403	10,261	-
Girls Tennis	(1,987)	1,987	-	-
Girls Golf	(965)	1,328	363	-
Concessions	11,499	23,094	38,992	(4,399)
Athletic Participation	5,197	-	5,197	-
	<u>14,611</u>	<u>142,866</u>	<u>126,856</u>	<u>30,621</u>
Totals	<u><u>78,486</u></u>	<u><u>308,851</u></u>	<u><u>300,884</u></u>	<u><u>86,453</u></u>

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Fiduciary Assets and Liabilities

## Agency Fund

Year ended June 30, 2004

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
Character Education Council	1,146	260	38	1,368
Clothes Pantry	808	924	963	769
East Elementary	129	234	168	195
Junior-Senior High	173	273	124	322
West Elementary	77	658	335	400
	<u>2,333</u>	<u>2,349</u>	<u>1,628</u>	<u>3,054</u>

See accompanying independent auditor's report.

## BALLARD COMMUNITY SCHOOL DISTRICT

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	2,584,231	2,481,069	2,357,171	2,134,253
Special revenue/debt service	884,870	870,485	862,304	819,428
Capital projects	781,950	6,619	7,583	4,760
	<u>4,251,051</u>	<u>3,358,173</u>	<u>3,227,058</u>	<u>2,958,441</u>
State sources:				
General	5,291,784	5,051,202	4,992,318	4,984,612
Special revenue/debt service	1,982	3,750	2,601	2,032
School nutrition	6,225	6,212	6,042	5,743
	<u>5,299,991</u>	<u>5,061,164</u>	<u>5,000,961</u>	<u>4,992,387</u>
Federal sources:				
General	171,237	118,689	126,730	103,684
School nutrition	127,139	125,052	120,478	108,772
	<u>298,376</u>	<u>243,741</u>	<u>247,208</u>	<u>212,456</u>
Total	<u>9,849,418</u>	<u>8,663,078</u>	<u>8,475,227</u>	<u>8,163,284</u>

See accompanying independent auditor's report.



**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
Ballard Community School District:

We have audited the financial statements of the Ballard Community School District, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 21, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ballard Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ballard Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and no to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Ballard Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ballard Community School District and other parties to whom Ballard Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ballard Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

September 21, 2004

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

04-I-A      Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

04-II-A      Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B      Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the certified budget amounts.

04-II-C      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

04-II-E      Business Transactions - No business transactions between the District and District officials or employees.

04-II-F      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**BALLARD COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2004

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

- 04-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 04-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 04-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 04-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

